

Message Text

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PAGE 01 QUITO 09015 300440Z
ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00
CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 OES-06 SP-02
SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01 NSCE-00
SSO-00 USIE-00 INRE-00 /094 W
-----300447Z 027639 /21

O 300412Z DEC 76
FM AMEMBASSY QUITO
TO SECSTATE WASHDC NIACT IMMEDIATE 2687

C O N F I D E N T I A L QUITO 9015

FOR DELIVERY OPENING OF BUSINESS 0900 DEC. 30

E.O. 11652: GDS
TAGS: EINV, ENRG, PFOR, EC
SUBJECT: GULF NEGOTIATIONS

REF: QUITO 9014

1. IT LOOKS AS IF WE HAVE A DEAL. GULF'S MEETING WITH
THE GOE NEGOTIATORS WAS SHORT AND SWEET. THE MINISTER
OF FINANCE WAS RUNNING THE MEETING AND OFFERED ESSENTIALLY
THE SETTLEMENT THAT IS DESCRIBED IN REFTEL. THE GOE WILL
PAY GULF 82.1 MILLION DOLLARS AS A DOWN PAYMENT AT THE TIME
THAT GULF PAYS THE GOE THE OUTSTANDING DEPOSITS UNDER GULF'S
120-DAY CREDIT SALES ARRANGEMENT, ABOUT \$70 MILLION NET.
(GULF WILL NOT WAIT FOR THE 120-DAY PERIODS TO LAPSE;
RATHER THE EXCHANGE OF CHECKS WILL TAKE PLACE AT THE TIME
THE AGREEMENT IS SIGNED.) SEVILLA FEELS CONFIDENT HE CAN
BORROW THE \$82.1 MILLION ABROAD. THIS SEEMS REASONABLE
GIVEN ECUADOR'S GOOD CREDIT RATING. GULF MIGHT HAVE TO
ABSORB THE DIFFERENCE IN THE PRIME INTEREST RATE (WHICH
LUMPKIN HAD INDICATED EARLIER HE THOUGHT HE COULD ARRANGE IF
GULF FINANCED THE DEAL) AND THE LONDON INTER-BANK
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PAGE 02 QUITO 09015 300440Z

RATE, WHICH APPARENTLY IS NOT VERY MUCH ABOVE THE NEW
YORK PRIME RATE. THE GOE WOULD GIVE GULF AN IRREVOCABLE
LETTER OF CREDIT FOR THE DIFFERENCE BETWEEN THE \$82.1
MILLION AND GULF'S NET BOOK VALUE, I.E. ROUGHLY 40 MILLION
DOLLARS. GULF, IN TURN, WOULD GIVE THE GOE AN IRRE-
VOCABLE LETTER OF CREDIT FOR THE SAME AMOUNT. BOTH

IRREVOCABLE LETTERS OF CREDIT WOULD BE GUARANTEES FOR PAYMENT OF ANY AMOUNT WHICH THE AUDITING FIRM FINDS IN EXCESS OR BELOW THE \$82.1 MILLION DOWN PAYMENT. THE AGREEMENT WOULD CONTAIN DETAILS AND PROCEDURES REGARDING HOW THE AUDIT WILL BE CONDUCTED. GULF HAS SUGGESTED THAT THE PERIOD OF THE AUDIT BE CALENDAR YEAR 1977. IN THE MEANTIME BOTH PARTIES WOULD ATTEMPT TO REACH AN AGREEMENT ON THEIR CLAIMS AGAINST ONE ANOTHER. THE AGREEMENT WOULD CONTAIN A QUITCLAIM REGARDING CLAIMS THAT HAD NOT BEEN PRESENTED AT THE TIME THE AGREEMENT WERE SIGNED. THIS MEANS THAT BOTH SIDES WILL HAVE TO DOCUMENT THEIR RESPECTIVE CLAIMS BEFORE THE AGREEMENT IS SIGNED, WHICH BOTH EXPECT TO BE IN THE EARLY DAYS OF JANUARY.

2. LUMPKIN IS RETURNING TO CORAL GABLES TOMORROW TO PRESENT THIS PROPOSITION TO HIS PRINCIPALS. HE APPEARS OPTIMISTIC THAT THEY WILL ACCEPT IT. IF SO, THERE WILL BE A CEREMONY ON DECEMBER 31 AT WHICH TIME THE GOVERNMENT WILL ANNOUNCE THAT IT AND GULF HAVE REACHED AGREEMENT IN PRINCIPLE AND THAT TITLE OF GULF'S PROPERTIES WILL PASS TO THE GOE EARLY IN THE NEW YEAR.

3. I INTEND TO ATTEMPT TO CONFIRM WITH ADMIRAL POVEDA TOMORROW THAT THIS DEAL OFFERED BY SEVILLA AND VARGAS HAS THE BLESSING OF THE SUPREME COUNCIL. I CANNOT IMAGINE THAT THE COUNCIL WILL TURN IT DOWN, INASMUCH AS THEIR MAIN OBJECTIVE IS TO GET SOMETHING THAT BOTH VARGAS AND THE USG ARE WILLING TO BUY.
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